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**annock
Corporation
Limited**

Annual Report

1976



Corporate Directory

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What is Jannock?

Jannock Corporation Limited, through wholly-owned subsidiaries, is engaged in sugar refining and marketing, brick manufacturing, the manufacture and distribution of steel tubing and the production of electrical components. Sales of \$175 million and net earnings of \$11.2 million rank it among the 100 largest corporations doing business in Canada. The several classes of shares of Jannock are traded on the Toronto Stock Exchange and the Montreal Stock Exchange.

Directors

Lewis H. M. Ayre, St. John's, Newfoundland	Chairman of the Board, Ayre & Sons, Limited, holding company
E. Clayton Daniher, Toronto, Ontario	Chairman of the Board, Baker, Lovick Limited, advertising agency
L. Yves Fortier, Montreal, Quebec	Partner, Ogilvy, Montgomery, Renault, Clarke, Kirkpatrick, Hannon & Howard, barristers and solicitors
*William M. Hatch, Toronto, Ontario	President, McLarens Foods Limited, food processors
*J. Howard Hawke, Toronto, Ontario	President, Bache, Halsey, Stuart Canada Ltd., stock brokers
*George C. Hitchman, Toronto, Ontario	Deputy Chairman, The Bank of Nova Scotia
Edward Lawrence, Toronto, Ontario	Corporation Director
*H. Gordon MacNeill, Toronto, Ontario	President and Chief Executive Officer, Jannock Corporation Limited
*George E. Mara, Toronto, Ontario	Chairman of the Board, Jannock Corporation Limited
*William J. R. Paton, Thunder Bay, Ontario	Chairman of the Board, The Northern Engineering & Supply Co. Limited, metal fabricating and wholesaling
*Donald G. Willmot, Toronto, Ontario	Chairman of the Board, The Molson Companies Limited, engaged in brewing, retailing and diversified manufacturing
* Member of the Executive Committee	

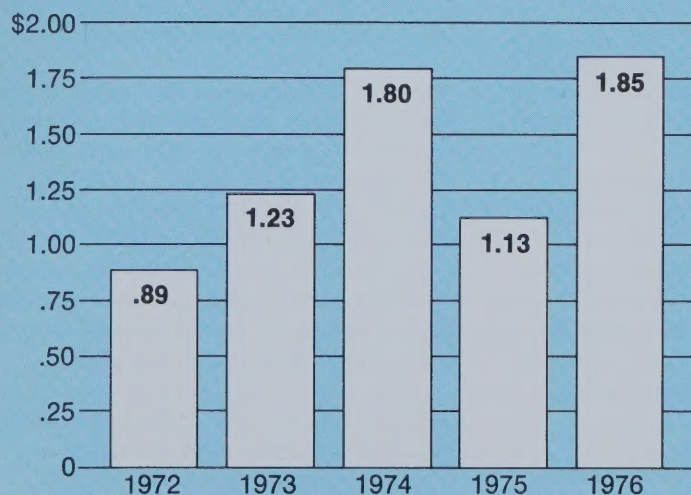
Corporate Management

H. Gordon MacNeill	President and Chief Executive Officer
C. W. (Leo) Leonardi	Executive Vice President, Finance and Treasurer
R. Harold Weir	Vice President and Secretary
G. Wallace Wood	Executive Assistant to the President
George L. Ploder	Controller
Peter S. Hayward	Assistant Treasurer

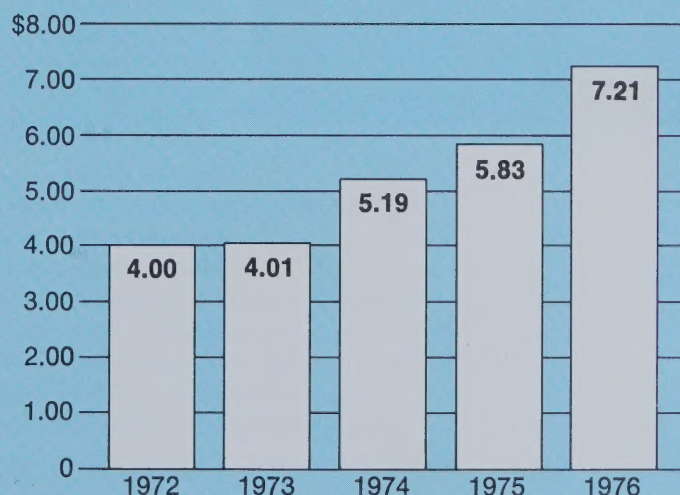
Jannock Corporation Limited

1976 at a Glance	1976 \$ Million	1975 \$ Million
Sales	174.6	226.9
Earnings from operations	22.2	17.1
Provision for income taxes	9.1	6.0
Earnings before extraordinary items	11.2	7.6
Earnings per share before extraordinary items	\$1.85	\$1.13
Earnings per share after extraordinary items	\$1.85	\$1.09
Equity per Special and Class D share	\$7.21	\$5.83
Working capital	41.1	32.8

Earnings Per Share Before Extraordinary Items



Equity Per Special and Class D Share



Report to the Shareholders



George E. Mara



H. Gordon MacNeill

In 1976 Jannock prospered. The Corporation had a record year with a net profit of \$11,211,000 or \$1.85 per share before extraordinary gains. This represents an increase of 48% over the previous year. While our overall throughput of product increased from 1975, the lower raw sugar prices gave us lower net dollar sales of \$174,640,000.

As the Corporation entered the year 1976, we expected a continuation of the lower level of business activity experienced in 1975 for the first half of the year, with an increase in activity in the last six months. The change for the better did not materialize and the complete year showed no significant gain over the earlier year. The continued imposition of wage and price controls, high unemployment, the uncertainties in our resource industries and a general lack of confidence in our economy were all factors that contributed to a generally depressed economy.

In March, 1976, a subsidiary completed the sale of its groundfish operation in Newfoundland. This, coupled with the sale of the tuna operation in January, took Jannock out of an industry that has marginal and highly cyclical earnings. It also released Jannock from significant long term lease commitments.

Our brick operations, in addition to achieving record sales and earnings, enjoyed a year of great progress. Modernization projects of substantial scale were completed at both the Canada Brick and St. Lawrence Brick plants which will allow us to increase production efficiency and meet environmental standards.

Late in the year we embarked on a \$2,500,000 expansion of St. Lawrence Brick which will allow us to participate to a greater extent in the eastern Canadian market.

The major move in our brick operations was the acquisition in July of Michigan Brick of Corunna, Michigan. We are pleased to note that it contributed to our earnings in the first month following its acquisition and we expect it to be a good earnings contributor in the future. Situated on 400 acres of land, the plant has sufficient reserves for 40 years at expanded capacities. As part of our plan, a new grinding facility is already under construction and a doubling of capacity will be started early in 1977.

During the year, management has adopted a more aggressive strategy to identify additional acquisition opportunities in this profitable field.

Atlantic Sugar enjoyed an excellent year, showing an increase over its good performance in 1975. The dramatic downturn in raw sugar prices is a very positive factor for this business as it leads to increased consumption, lower inventory and hedging costs and greater operating efficiency. The predicted continuance of lower prices for 1977 should allow us to continue our operations at current levels.

The Sonco Steel manufacturing operation enjoyed a good year in both sales and earnings in a year that was generally slow for most steel companies. Its success can be attributed to the fact that it serves a diverse number of industries not all affected at the same time by business downturns. The steel export business has shown considerable growth in the past two years.

In the other part of our steel business, the distribution of steel tube and hollow structural sections, results were not as good due to a marked downturn in the markets served. Much of Lyman Tube's sales are made to

**Jannock Corporation Limited**

PO Box 43
Toronto Dominion Centre
Toronto Ontario
M5K 1B7
(416) 364-8586

H. G. MacNeill
President and Chief Executive Officer

March 15th, 1977

Dear Shareholder:

Enclosed please find the 1976 annual report; the year was an excellent one for Jannock and we think that you should learn of the Corporation's achievements promptly.

The annual and general meeting of shareholders will be held in mid-June this year and it is anticipated that meetings of the several classes of shareholders will be held on the same day to consider the merits of proposals for the consolidation and redesignation of the several classes of shares. The share structure of the Corporation has been confusing to investors and, in an effort to simplify it, the board of directors has recently adopted proposals whereby the three senior classes of shares of the Corporation would, in effect, be consolidated into one class of second preference shares. The purpose of this letter is to explain to you the general details of the proposals. Full details will be given to you within the next 60 days with the notices of the meetings.

The proposals involve the creation of a class of 8% Cumulative Redeemable Second Preference Shares, par value \$15.00. These shares are to be redeemable at \$17.00 per share on 30 days' notice. The present classes of preference shares are, in effect, to be converted into these new shares on the following bases:

Description of Shares Outstanding	Basis of Conversion
6% Cumulative Redeemable Preference Shares, par value \$100.00	Each share will be converted into six 8% Cumulative Redeemable Second Preference Shares, par value \$15.00 each.
\$1.20 Class A Shares, without par value	Each ten shares will be converted into eleven 8% Cumulative Redeemable Second Preference Shares, par value \$15.00 each.
6% Class B Shares, par value \$20.00	Each share will be converted into one 8% Cumulative Redeem- able Second Preference Share, par value \$15.00 each. In addition there will be issued in respect of each 6% Class B Share a warrant to purchase one Class D Share (to be redesignated as set forth below) at \$12.00 per share to June 30, 1982 and thereafter at \$15.00 per share to June 30, 1987.

The Class D Shares are proposed to be redesignated as Class A Shares and the Special Shares are proposed to be redesignated as Class B Shares.

The holders of the 6% Preference Shares will in effect receive an increase in dividends from \$6.00 to \$7.20 per annum. The holders of the Class A Shares will in effect receive a 10% increase in dividends from \$1.20 to \$1.32 per annum. The holders of the Class B Shares will be compensated for the loss of their conversion privilege by receipt of the share purchase warrants. These three classes of shares will all become one class and should benefit from improved marketability as the purchase fund would be increased from a total of \$200,000 per annum for the

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manufacturers of capital equipment and this business segment was substantially lower than business generally. Lyman's reputation for service and its well placed branches should allow it to return to its past growth and normal profitability as soon as the general economy recovers.

Allanson Manufacturing met its objective for the year and showed good progress in the development and introduction of new products. This enabled it to make up some deficiencies in its traditional products and markets that were affected by adverse business conditions.

Strategy for Growth

A great deal of effort was expended in the past year seeking acquisitions to enhance Jannock's profitable growth. A business strategy was developed to ensure that the growth of the Corporation over the next ten years will be substantial and will develop a high quality of earnings that will be as free as possible from cyclical pressures. A set of criteria was established and many corporations studied in Canada and the U.S.

As you were advised previously, the proposed amalgamation with Conn Chem was not carried out.

We are continuing our efforts to search out a suitable acquisition for Jannock and will pursue this goal actively in 1977.

In June, 1976, Sonco Steel Tube Limited was charged, together with a number of other corporations, under the Combines Investigation Act and the preliminary hearing will be held early in 1977. Our subsidiary will vigorously defend itself against this charge.

Dividend Action

In November, 1976, the Board of Directors approved an increase in the dividends on the Special and Class D Shares to the maximum allowable under the Anti-Inflation Board regulations. This action is in keeping with our policy of increasing the dividend to the shareholders based on the superior performance of the Corporation and it is our intention that this policy should continue in the future.

Share Proposal

At the annual and general meeting of shareholders to be held later in the year you will be asked to approve an amendment to the Articles of the Corporation which will allow the Corporation to buy back its Special and Class D shares. The Corporation presently has the power to purchase its Common shares.

We have now completed our first full year under the Anti-Inflation Act and can report that the Corporation has complied fully in both the letter and the spirit of the Act in order to do our part to bring inflation down to manageable proportions. This compliance has not been without a great deal of extra time and expense and it is hoped that we will soon see an orderly transition back to the discipline of the marketplace.

Restraint on Prices

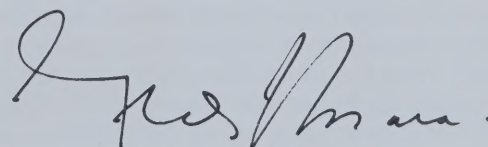
In reviewing our pricing practices for the past year we would have to say that the competitive forces in the marketplace provided far greater restraint than the new legislation. Economic conditions as they now exist in Canada and from what we can see in the foreseeable future, will provide adequate restraint on prices.

At the annual meeting last April comment was made on the bright prospects of the Corporation for the future. Today, we are even more enthusiastic about the opportunities that lie ahead. We have a sound base of businesses that are excellent profit producers and with future acquisitions that are growth oriented, we should develop quickly into a dynamic, larger enterprise.

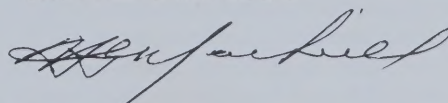
Projections for 1977

In the last few months, we have been besieged with gloomy prospects for 1977 and unless some stimulus is provided, we believe the year will be somewhat the same as 1976. Our projections for the Jannock operations, however, do show an increase in profitability and we are confident that these projections can be reached.

As mentioned previously, 1976 was a record year and much of the credit for our success must go to the people of Jannock whose extra efforts during the year provided such good results. We are impressed with the expertise that abounds in the various operations and the enthusiasm that everyone has for the future growth of our Corporation. It is indeed a pleasure to work with such a fine organization.



George E. Mara
Chairman of the Board



H. Gordon MacNeill
President and Chief Executive Officer

Financial Review

Acquisition and Sales

The sale of the Groundfish Operation was completed in March 1976 and accordingly these statements reflect the earnings to the date of sale.

The assets of Michigan Brick were acquired as of July 15, 1976 for a gross amount of \$2.6 million and the earnings reflected from that date.

Comparative earnings for 1975 included those of the Tuna business but, as the operation was sold on December 31, 1975, the 1975 balance sheet did not include any of the assets or liabilities. Earnings in 1975 also included seven months' earnings from the Diamond Brick acquisition.

The foregoing factors do not have a material effect on the comparison of financial statements with the previous year.

Earnings

Earnings for the year before extraordinary items were \$11,210,702 or \$1.85 per share compared to \$7,569,249 or \$1.13 per share in 1975.

While sales in 1976 in the amount of \$174,000,000 were substantially below the 1975 sales of \$227,000,000, the decrease is due to the reduction in the price of raw sugar which, of course, is passed on to the customer. The volume of sugar sold, however, was comparable in both periods. Sales of all other operations substantially achieved the planned increases for the year.

Capital Expenditures and Depreciation

The depreciation charge for the current year decreased largely as a result of the sale of the Groundfish and Tuna Operations. While additions to fixed assets of \$5 million were reduced from the \$8 million expenditures in 1975, the latter included the acquisition of Diamond Clay of \$4 million. Thus if we excluded the \$1,200,000 incurred in the acquisition of the fixed assets of Michigan Brick, the Corporation spent approximately \$4 million in each year on improvement and expansion of its existing facilities. The majority of the \$4 million spent in 1976 was involved in our Brick Operations which included additional expenditures for the automation commenced in 1975 at both Mississauga and LaPrairie. In addition, some \$900,000 was expended on the completion of the Lyman warehouse at Laval which became operational in the middle of 1976 and which will form the base for improved operations in that area.

Capital expenditures approved but uncompleted in 1976 amounted to \$3,800,000 and were for the completion of the automation at Streetsville and the doubling of the kiln at St. Lawrence Brick at LaPrairie. The benefits of the automation expenditures will commence in 1977 but the full benefit will not be received until 1978. While not included in these financial statements, it is important to note that a further expansion at Michigan Brick of \$3,500,000 will commence in 1977 and the facility will be on stream for the 1978 prime sales period. This latter expenditure will be financed completely under a five-year U.S. term loan.

The fixed asset note in the financial statements has been expanded to give further categories of assets in order to make the depreciation rates more representative. The overall assets are depreciated by approximately 40% with the major categories of buildings being 35% and plant and equipment 44%. This factor is important when considered in conjunction with various inflation accounting techniques now being deliberated.

Even with the low rate of spending in 1976, it must be noted that the expenditures needed to automate and keep plants and equipment in efficient running condition are in excess of the annual depreciation charge. The depreciation policy is based on the straight-line reduction of original cost so that with current inflation rates such assets are replaced at substantially higher amounts. Thus, while assets become fully depreciated, depreciation from new additions will increase this expense in the years to come.

Depletion is claimed on the shale land reserves used in our Brick Operations and is based on the amount of raw material extracted, resulting in a minor reduction in the land value.

Income Taxes

While the overall rate for 1976 was 44.9%, the expense includes a prior period adjustment, which if excluded would result in a rate of 43.6%. This compares to a 44.3% rate in 1975. It should be noted that all our domestic operations obtain the Manufacturing and Processing credit, except Lyman Tube. The Michigan Brick operation, being a U.S. Corporation, is subject to U.S. tax rates.

Interest Costs

There was a substantial reduction in interest expense due to the continuing reduction in the amount of bank loans outstanding, which over the last three years have decreased from \$41,000,000 to \$13,000,000 and down to the current figure of \$5,000,000. This lower expense was obtained even though there was an increase in prime bank rates up to 10¼ % for most of 1976. At the date of this report, the Canadian prime rate had been reduced three times since November 28, 1976 to a rate of 8¾ %.

Balance Sheet

The overall financial strength of the Company improved substantially in 1976 as evidenced by the large increase in cash and short-term investments and the improvement in working capital. The working capital of the Corporation increased from \$33,000,000 to \$41,000,000 and the ratio improved from 1.86 to 2.65 to 1. This was partly attributable to a refinancing of the Brick group's debt position as can be seen in Note 7 to the financial statements, where a consolidated loan position of \$8,300,000 was raised for a ten-year period and replaced \$900,000 debt to third parties and enabled the operation to repay loans to its parent of \$5,000,000 which had been used for acquisitions. This loan was obtained at very favourable terms and more specifically has no repayment requirement until 1980 when it starts at \$1,000,000 per year with a final \$3,000,000 payment in December 1985. This financing allows the Brick Operations to continue future capital programs without affecting other major expansion considerations of the Corporation.

Review of Quarterly Sales and Earnings

	Net Sales \$ Millions		Net Earnings \$ Millions		Earnings Per Share	
	1976	1975	1976	1975	1976	1975
First quarter	41.2	52.4	1.9	.6	\$0.28	\$0.02
Second quarter	48.8	67.3	3.0	2.5	0.50	0.40
Third quarter	43.9	56.6	3.1	1.9	0.52	0.28
Fourth quarter	40.7	50.6	3.2	2.6	0.55	0.43
	174.6	226.9	11.2	7.6	\$1.85	\$1.13

The sales figures, as mentioned above are distorted by the drop in raw sugar prices from £ 160 to £ 120 over the year. The substantial increase in earnings in the third quarter was due to large trading profits in the sugar operation due to the special purchase of certain cargoes and the sale of such cargoes on the sugar terminal in London as the forward terminal positions were at a substantial premium.

Anti-Inflation Board

The Corporation abided by both the spirit and the letter of the Anti-Inflation Board regulations during the year. Price increases were obtained in accordance with the A.I.B. guidelines with only minimal excess earnings in the Brick Operations. In 1977 the Corporation will operate under new restraints. It is not anticipated, however, that they will have a detrimental effect on 1977 fiscal results due to improved efficiencies and expansions of the existing operations. The Brick group is the only operation which is required to pre-notify on price increases with a consequent saving in reporting to Ottawa. At the time of writing this report we are still awaiting Ottawa's consideration of how to treat the matter of fluctuations in the international sugar market.

Dividend

Commencing with the January 1, 1977 dividend, the rates on the Special and Class D shares were raised from 42.5¢ to 45.9¢ and 50¢ to 54¢ respectively in accordance with A.I.B. regulations.

Summary

In summary, the financial strength of the Corporation was substantially improved in relation to its cash on hand available for investment, its working capital ratio and other traditional evaluation methods.

The rationalization program begun in 1974 to dispose of certain businesses was completed during the 1976 fiscal year. As a result the Corporation now comprises a main core of profitable entities. The Company can, therefore, enter the 1977 fiscal year with the ability to expand both internally and through acquisitions and consequently to further continue the improvement of the current year.



C. W. Leonardi
Executive Vice President,
Finance and Treasurer

**Jannock
Corporation
Limited**

and Subsidiaries

**Consolidated Statement
of Earnings**

for the Year Ended December 31, 1976

	1976 \$	1975 \$
Sales	174,640,467	226,943,088
Cost of sales, selling, distribution and general expenses	149,849,980	206,568,178
Depreciation	2,590,370	3,249,570
	152,440,350	209,817,748
Earnings from Operations	22,200,117	17,125,340
Interest on long-term debt	2,645,923	2,914,132
Interest on short-term debt	1,102,275	2,377,916
	3,748,198	5,292,048
Investment and other income	1,907,484	1,746,341
	1,840,714	3,545,707
Earnings Before Income Taxes and Extraordinary Items	20,359,403	13,579,633
Provision for Income Taxes		
Current	7,695,031	4,681,496
Deferred	1,453,670	1,328,888
	9,148,701	6,010,384
Earnings Before Extraordinary Items	11,210,702	7,569,249
Extraordinary Income (Expense) (note 10)	38,513	(227,429)
Net Earnings for the Year	11,249,215	7,341,820
Earnings before extraordinary items applicable to Special and Class D shareholders	9,327,364	5,660,909
Weighted average number of Special and Class D shares outstanding during the year	5,053,200	4,991,930
Earnings per share (note 8)		
Before extraordinary items	\$1.85	\$1.13
After extraordinary items	\$1.85	\$1.09

See accompanying statement of accounting policies
and notes to the financial statements.

	1976 \$	1975 \$
Balance – Beginning of Year	8,023,481	4,808,273
Net earnings for the year	11,249,215	7,341,820
	19,272,696	12,150,093
Dividends –		
Preference shares	430,350	442,012
Class A shares	498,810	512,150
Class B shares	954,178	954,178
Special and Class D shares	2,355,246	2,244,205
	4,238,584	4,152,545
Other capital transactions	(9,939)	(25,933)
	4,228,645	4,126,612
Balance – End of Year	15,044,051	8,023,481

See accompanying statement of accounting policies
and notes to the financial statements.

**Jannock
Corporation
Limited**

and Subsidiaries

**Consolidated
Balance Sheet**

as at December 31, 1976

Assets

	1976 \$	1975 \$
Current Assets		
Cash and short-term investments	25,478,626	18,609,466
Accounts receivable	19,370,182	26,275,586
Inventories (note 2)	16,611,989	21,316,032
Prepaid expenses and other assets	4,484,508	4,409,252
	65,945,305	70,610,336
Investments (note 3)	4,980,332	2,426,301
Fixed Assets – at cost (note 4)	58,718,857	60,218,686
Less: Accumulated depreciation and amortization	23,540,613	24,198,871
	35,178,244	36,019,815
Intangibles (note 5)	12,430,659	12,480,829
	118,534,540	121,537,281

See accompanying statement of accounting policies
and notes to the financial statements.

Signed on behalf of the Board:

G. E. Mara, *Director*

H. G. MacNeill, *Director*

Liabilities

	1976 \$	1975 \$
Current Liabilities		
Bank advances (note 6)	4,958,248	12,847,351
Accounts payable and accrued liabilities	11,754,249	14,494,477
Income tax payable	4,345,417	4,519,607
Current instalments of long-term debt (note 7)	2,693,579	4,929,113
Dividends payable	1,115,818	1,062,078
	24,867,311	37,852,626
Long-Term Debt (note 7)	25,642,927	22,715,621
Deferred Income Taxes	6,762,640	6,818,700
	57,272,878	67,386,947

Shareholders' Equity

Share Capital (note 8)

Issued and fully paid –

69,900 6% Preference shares, first series (72,775 shares in 1975)	6,990,000	7,277,500
417,600 \$1.20 Class A shares (425,400 shares in 1975)	1,833,264	1,867,506
795,148 6% Class B shares	15,902,960	15,902,960
5,066,930 Special and Class D shares (4,991,930 shares in 1975)	21,491,387	21,078,887

Retained Earnings (note 9)	15,044,051	8,023,481
	61,261,662	54,150,334
	118,534,540	121,537,281

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Jannock Corporation Limited and subsidiaries as at December 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1976 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

Toronto, Ontario
February 4, 1977

**Jannock
Corporation
Limited**

and Subsidiaries

**Consolidated Statement
of Changes in
Financial Position**

for the Year Ended December 31, 1976

	1976 \$	1975 \$
Source of Working Capital		
Net earnings for the year before extraordinary items	11,210,702	7,569,249
Items not affecting working capital –		
Depreciation	2,590,370	3,249,570
Deferred income taxes	1,453,670	1,328,888
Amortization of deferred costs	50,170	98,483
Loss on sale of fixed assets	230,905	–
	15,535,817	12,246,190
Net proceeds on the sale of the fixed assets of the fishing divisions	2,876,006	4,112,374
Proceeds on the disposal of other fixed assets	32,417	1,106,148
Proceeds on the sale of investments	232,534	1,846,333
Issue of share capital	412,500	–
Increase in long-term debt	11,229,144	1,969,886
	30,318,418	21,280,931
Use of Working Capital		
Increase in investments	4,054,031	–
Additions to fixed assets	4,888,127	8,838,150
Reduction of long-term debt	8,301,838	5,795,851
Cost of redemption of share capital	311,803	202,818
Increase in goodwill	–	3,102,415
Dividends	4,238,584	4,152,545
Current income taxes applicable to extraordinary items	194,246	571,116
Other	9,505	213,767
	21,998,134	22,876,662
Increase (Decrease) in Working Capital	8,320,284	(1,595,731)
Working Capital – Beginning of Year	32,757,710	34,353,441
Working Capital – End of Year	41,077,994	32,757,710

See accompanying statement of accounting policies
and notes to the financial statements.

Jannock Corporation Limited

and Subsidiaries

Statement of Accounting Policies

for the Year Ended
December 31, 1976

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and the year end account balances have been eliminated on consolidation.

Inventories

Inventories, other than commodity inventories, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Commodity inventories are stated at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis with the exception of refined sugar, which is determined on the average cost for the year.

Receivables

Receivables are shown net of allowances for doubtful accounts.

Fixed Assets

Fixed assets are carried at cost.

Depreciation of fixed assets, which is based on management's estimate of the useful life of the assets, is calculated on a straight-line basis.

Profits and losses on the sale of fixed assets are charged to operations unless of an extraordinary nature.

The difference in taxes arising from the depreciation recorded in the companies' statements and the amount claimed as capital cost allowance for tax purposes is treated as deferred income taxes.

Deferred Income Taxes

Deferred income taxes are included in the statements for all differences between the income and expenses reflected in the statements and the amounts included in the computation of income for tax purposes for the current year, provided that such dif-

ference will be included in the computation of income for tax purposes in future periods.

Deferred income taxes are set up at the tax rate of the year and are drawn down at the average rate of accumulation.

Intangibles

Excess of cost of investment in subsidiaries over book value of net assets acquired is recorded as an intangible asset. It has not been amortized as management believes it has a continuing value. However, any goodwill relating to acquisitions after March 31, 1974 will be amortized in accordance with generally accepted accounting principles.

Deferred financing and other similar costs are amortized over the period of the obligation in proportion to the amount of debt outstanding.

Translation of Foreign Currencies

Translation of accounts in foreign currencies has been made as follows:

- (a) Current assets and current liabilities – at the rates of exchange at the balance sheet date;
- (b) Other balance sheet accounts and depreciation expense – at the rate of exchange prevailing at the time of acquisition;
- (c) All items, excluding depreciation, on the statement of earnings – at the average rate of exchange for the period calculated on a monthly basis.

Jannock Corporation Limited

and Subsidiaries

Notes to Consolidated Financial Statements

for the Year Ended December 31, 1976

1. Significant Changes in Operations

The Corporation sold the net operating assets of the Atlantic Fish (Groundfish) Division of Atlantic Sugar Limited (formerly Atlantic Consolidated Foods Limited), a subsidiary company, as of March 27, 1976. These financial statements reflect the operating results to February 28, 1976 and the profit on the sale is included as an extraordinary item.

The Corporation acquired the net operating assets of the Michigan Brick Division of Hancor, Inc. consisting of working capital of \$1,400,793 and fixed assets of \$1,250,000, on July 15, 1976, for a cash consideration of \$2,650,793. The results of this operation are included in the consolidated statement of earnings from the date of acquisition.

The 1975 comparative figures include the Tuna operation which was sold as of December 31, 1975 and include the Diamond Clay brick operation from the date of acquisition, June 2, 1975.

2. Inventories

	1976 \$	1975 \$
Raw materials	4,410,028	7,312,398
Work in process	814,850	760,662
Finished goods	10,322,719	11,403,633
Supplies	1,064,392	1,839,339
	<u>16,611,989</u>	<u>21,316,032</u>

3. Investments

Investments are valued at cost less provisions for decline in value.

	1976 \$	1975 \$
Securities (market value - \$234,272 1975 - \$383,108)	197,201	376,301
Note receivable with interest at prime bank rate plus 2½%. The repayment schedule of the original promissory note was altered effective September 1, 1976 for the balance outstand- ing of \$2,100,000 at that time as follows: September 1, 1976 - \$150,000 principal. October 1, 1976 through February 1, 1979 - \$50,000 principal monthly March 1, 1979 - \$500,000 principal. Interest on the outstanding balance is payable monthly	1,800,000	2,800,000
I.T.L. Industries Limited - 8% convertible debenture due 1988	1,350,000	1,350,000
I.T.L. Industries Limited - demand promissory note at prime plus 1%	250,000	-
8% cumulative redeemable preference shares (note 7)	2,876,006	-
	<u>6,473,207</u>	<u>4,526,301</u>
Less general provision for decline in value	1,300,000	-
	<u>5,173,207</u>	<u>4,526,301</u>
Loan receivable from officer	407,125	-
	<u>5,580,332</u>	<u>4,526,301</u>
Less current portion of note receivable	600,000	2,100,000
	<u>4,980,332</u>	<u>2,426,301</u>

4. Fixed Assets

Fixed assets and depreciation rates are as follows:

	1976		Depreciation rates %	1975	
	Cost \$	Net \$		Cost \$	Net \$
Land	2,695,344	2,559,349	—	2,312,224	2,211,029
Buildings	14,930,111	9,370,464	2½-5	13,165,367	7,992,822
Ships	—	—	—	5,811,895	2,804,172
Plant					
equipment	37,020,119	21,156,928	3-20	33,463,218	19,269,132
Mobile equipment	1,158,122	674,757	20-33	794,298	414,426
Furniture and fixtures	2,170,187	739,810	10-20	2,095,015	824,666
Leasehold improvements	128,362	60,324	5	309,287	236,186
Construction in progress	616,612	616,612	—	2,267,382	2,267,382
	<u>58,718,857</u>	<u>35,178,244</u>		<u>60,218,686</u>	<u>36,019,815</u>

Insured value on the basis of replacement cost as at December 31, 1976 was \$98,800,000.

5. Intangibles

	1976 \$	1975 \$
Deferred financing costs	93,762	143,932
Excess of cost of investment in subsidiaries over book value of net assets acquired —		
Canada Brick	1,969,407	1,969,407
Sonco	7,002,579	7,002,579
Allanson	2,973,238	2,973,238
Other	391,673	391,673
	<u>12,430,659</u>	<u>12,480,829</u>

6. Bank Indebtedness

Bank advances are secured by inventories and a general assignment of book debts.

All bank advances are owing to a bank which is a shareholder of the Corporation with the exception of \$200,000 U.S.

7. Long-Term Debt

	1976 \$	1975 \$
Jannock Corporation Limited		
Sinking fund debentures		
6¾ % Series 'A' maturing 1985	1,358,270	1,461,100
6½ % Series 'B' Unsecured	—	1,195,500
Term bank loan		
Prime bank rate plus 1½ %	—	1,500,000
Other	234,943	469,886
Jannock Industries Limited		
Sinking fund bonds		
6¾ % Series 'A' maturing 1984	2,457,000	3,025,000
Secured by guarantee of Jannock Corporation Limited		
Atlantic Sugar Limited		
First mortgage bonds		
7¼ to 8¾ %	—	3,334,675
Promissory note		
8 % maturing semi-annually until 1988, principal payments only required to the extent that 8 % preference shares are redeemed	2,876,006	—
Secured by 8 % preference shares (note 3)		
Term bank loan		
Prime bank rate plus 1½ % maturing 1981	11,250,000	13,750,000
Secured on sugar refinery		

(continued)

7. Long-Term Debt (continued)

	1976 \$	1975 \$
Canada Brick Company Limited		
6¾ % first mortgage sinking fund bonds	—	959,500
Mortgage debenture		
Commercial paper rate plus 1¾ % maturing 1985	8,300,000	—
Secured on total fixed assets		
St. Lawrence Brick Co. Limited		
9¾ % first mortgage Series 'A' sinking fund bonds maturing 1990	1,252,000	1,299,000
9¼ % subordinated sinking fund debentures maturing 1990	277,500	299,000
Secured on total fixed assets		
Sonco Steel Tube Limited		
7¾ % first mortgage maturing 1986	330,787	351,073
Secured on land and buildings		
	<u>28,336,506</u>	<u>27,644,734</u>
Less: Sinking fund and principal payments due within one year	<u>2,693,579</u>	<u>4,929,113</u>
	<u>25,642,927</u>	<u>22,715,621</u>

Payments of principal and interest required in the next five years to meet long-term debt instalments and sinking fund provisions are:

	Principal \$	Interest \$
1977	2,693,579	2,556,555
1978	3,249,061	2,251,422
1979	3,367,484	1,942,314
1980	4,076,997	1,602,212
1981	2,839,169	1,268,285

The term bank loan of \$11,250,000 is owed to a bank which is a shareholder of the Corporation.

8. Share Capital

(a) Authorized —

294,900 Preference shares with a par value of \$100 each issuable in series, the first series consisting of 69,900 preference shares, after cancellation on redemption of 2,875 shares during the year; designated as 6% cumulative redeemable preference shares redeemable at \$105 on 30 days notice. This series may be purchased for cancellation from a \$100,000 annual purchase fund; no vote unless six quarterly dividends in arrears. In any subsequent series, the board of directors shall, by resolution, fix the designation, preferences, rights and conditions.

417,600 \$1.20 Class A cumulative shares, without par value, after the cancellation on redemption of 7,800 shares during the year; not redeemable but may be purchased for cancellation from a \$100,000 annual purchase fund; no vote unless eight quarterly dividends in arrears.

875,000 6% Class B shares with a par value of \$20, redeemable after June 15, 1980 in whole or in part and may be converted into Special or Class D shares on the basis of share for share; no voting rights.

8,000,000 Special shares and Class D shares, without par value; voting; inter-convertible on a share for share basis:

(i) a cash dividend may be paid on the Special shares out of tax-paid undistributed surplus on hand or 1971 capital surplus, thereby resulting in a non-taxable dividend to holders;

(ii) when dividends are declared on Special shares, there shall be declared on Class D shares a dividend equal to the sum of the cash dividend per share on the Special shares plus an amount equal to the tax paid per share to create tax-paid undistributed surplus.

500,000 Common shares without par value.

(b) Issued during year —

75,000 Special shares were issued during the year under the share purchase plan. Consideration for these shares was cash in the amount of \$412,500.

(c) Reservations of Capital Stock –

(i) Warrants

The following share purchase warrants are outstanding:

Number of warrants	Number and class of shares	Exercise price \$	Expiry date
239,070	1 Special	14.00 per share	March 1, 1978
*52,718	1 Special plus 1 1/2 6% Class B	56.00 per unit	March 1, 1978

*These warrants are exercisable only in units consisting of 1 Special and 1 1/2 6% Class B shares.

(ii) Options

– 185,000 Special shares have been reserved under stock option plans for officers and employees. Outstanding options are as follows:

Number of shares	Option date	Expiry date	Exercise price \$
51,250	October 31, 1972	October 31, 1977	7.00
35,400	June 18, 1969	June 18, 1979	7.00
7,000	April 19, 1972	April 19, 1982	7.00
<u>93,650</u>			

These options are exercisable at a maximum annual rate of 20% per year on a cumulative basis.

– 200,000 Special shares or Class D shares were reserved during the year under a share purchase plan for officers and employees. The purchase price is market at the date of the issue of shares. Special shares totalling 75,000 were issued under the plan in February 1976.

(iii) Dilution

The exercise of warrants and options together with the potential conversion of the 6% Class B shares would result in dilution of earnings per share as follows:

	Before extraordinary items \$	After extraordinary items \$
Earnings per share	1.85	1.85
Exercise of options	(0.03)	(0.02)
Exercise of warrants	(0.06)	(0.06)
Conversion of 6% Class B shares	(0.08)	(0.08)
Fully diluted earnings per share	<u>1.68</u>	<u>1.69</u>

9. Retained Earnings

The Corporation estimates that it has approximately \$35,000,000 of surplus balances as defined by the Income Tax Act which are available for payment of non-taxable dividends. This amount may be increased or decreased by changes in tax legislation or certain types of transactions in which the Corporation has in the past or may in the future become involved.

10. Extraordinary Items

	1976 \$	1975 \$
Profit on disposal of fixed assets (net of income taxes of \$52,897)	–	673,125
Profit on disposal of marketable securities and other investments	32,534	114,229
Profit (loss) on sale and discontinuance of operations including write-off of applicable goodwill (net of recovery of current and deferred income taxes of \$1,225,136; 1975 – \$4,504,752)	1,234,933	(1,014,783)
Provision for decline in value of investments	(1,300,000)	–
Reduction of income taxes on application of losses of prior years	147,200	–
Provision for legal costs for defence of sugar combines case (net of current and deferred income taxes of \$76,154)	(76,154)	–
	<u>38,513</u>	<u>(227,429)</u>

11. Lease Commitments

Lease commitments are as follows:

	\$
1977	802,440
1978	690,959
1979	460,708
1980	341,550
1981	307,812
1982 – 1986	1,201,685
1987 – 1991	771,917
1992 – 1996	161,191
	<u>4,738,262</u>

12. Legal Matters

(a) Sugar Combines Case

On December 19, 1975, a Judgement was given by Mr. Justice Mackay of the Superior Court, Criminal Division, District of Montreal, acquitting Atlantic Sugar Refineries Co. Limited, the predecessor corporation of Jannock Corporation Limited, and two other major sugar refiners in eastern Canada of the charge of committing indictable offenses contrary to Section 32(1) (b) and (c) of the Combines Investigation Act.

The Attorney General of Canada has appealed the Judgement of acquittal to the Court of Appeal, Province of Quebec.

(b) Sale of Pulp Assets in 1974

(i) A subsidiary company commenced legal proceedings against the purchaser, Acadia Forest Products Limited, to recover all monies due under a dispute on certain transactions arising from the sale. The amounts in dispute were included in the 1974 financial statements as it was anticipated that all such funds would be recovered. Judgement is expected in 1977.

(ii) On December 11, 1974, Woodpulp, Inc. (Canada), a former sales agent for the pulp division of Jannock Industries Limited, commenced an action against Jannock Industries Limited and another, alleging, among other things, damages for breach of contract in the amount of \$1,187,580 special damages. The Corporation is defending this action.

13. Statutory Requirements

Directors' and Senior Officers' Remuneration

	1976	1975
Number of directors	12	12
Remuneration of directors as directors	\$ 52,250	\$ 54,000
Number of senior officers*	6	8
Remuneration of senior officers as officers	\$518,933	\$488,625
Number of senior officers who are also directors	2	4

*Senior officers include the five highest paid employees of the Corporation as required by The Business Corporations Act (Ontario).

14. Anti-Inflation Legislation

The Corporation is subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975.

Historical Summary

	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>
Income Information (\$'000)					
Sales	174,640	226,943	254,710	170,905	136,907
Earnings from Operations	22,200	17,125	24,361	20,234	13,535
Net Earnings before Extraordinary	11,211	7,569	10,921	8,281	6,391
Net Earnings after Extraordinary	11,249	7,342	9,732	6,109	7,456
Depreciation	2,590	3,250	3,360	3,591	3,659
Earnings per Share (\$)					
Before Extraordinary	1.85	1.13	1.80	1.23	.89
After Extraordinary	1.85	1.09	1.56	.80	1.11
Cash Flow from Operations	15,536	12,246	14,862	12,571	11,943
Interest on Long-Term Debt	2,646	2,914	3,218	2,755	2,109
Balance Sheet Information (\$'000)					
Current Assets	65,945	70,610	97,941	45,607	55,649
Current Liabilities	24,867	37,853	63,587	34,685	44,671
Working Capital	41,078	32,757	34,354	10,922	10,978
Fixed Assets – Net	35,178	36,020	40,654	58,270	58,561
Other Investments	4,980	2,426	4,158	6,114	7,737
Intangibles	12,431	12,481	9,405	11,334	11,936
Total Assets	118,535	121,537	152,158	121,325	133,883
Long-Term Debt	25,643	22,716	26,542	27,447	29,662
Deferred Income Taxes	6,763	6,818	10,865	13,201	10,937
Preferred Shares – Book Value	24,726	25,048	25,277	25,313	25,313
Shareholders' Equity Special and Class D	36,535	29,102	25,887	20,037	19,982
Equity/Share (\$)	7.21	5.83	5.19	4.01	4.00

Sugar Operations

Five Year Review	Sales (\$ million)	Earnings from Operations (\$ million)
1976	105.1	11.0
1975	149.9	9.1
1974	152.4	4.1
1973	79.7	7.0
1972	63.8	8.6

Business Description

Atlantic Sugar is the second largest refiner and seller of sugar in Canada. A full line of products is manufactured and packaged at Saint John, New Brunswick. Raw cane sugar is imported mostly from Commonwealth countries which enjoy British preferential duty rates while small quantities are brought from other countries at a higher rate of duty.

Sugars of all types are supplied to soft drink producers, food manufacturers, confectioners, chain stores, bakeries and wholesalers. Two Company-owned distribution centres at Montreal and Toronto are supplemented by public warehousing in other key locations from Newfoundland to Western Ontario.

Operations Review

The wide raw sugar price fluctuations experienced in 1974 and 1975 did not recur in 1976. Although prices continued to decline during the year the market was considered relatively stable. The Company continued its policy of maintaining a fully hedged position thereby reducing risks to a minimum.

Canadian consumption which declined during the period of high prices ending in December 1975 recovered appreciably during the year. Total sales volume was 6% higher than in 1975 as a result. The lower and stable raw sugar market made it possible to realize a trading profit in 1976 as compared with the small loss suffered in 1975.

The labour climate was made more difficult as a result of Anti-Inflation legislation. During 1976 labour agreements were negotiated at the refinery and the Company's two distribution

centres but, in the case of the Montreal warehouse, settlement was reached only after a seven week strike. Applications are presently before the Anti-Inflation Board for approval of the agreements.

Plans and Prospects

Sales of Atlantic should grow in 1977 in line with the recovery in consumption and the population increase over 1976. Estimated world raw sugar production of approximately 87 million tons is in excess of consumption and we foresee

maintenance of the current 35¢ to 40¢ price per kilogram for refined sugar during 1977. This will continue to favour increased consumption and volume growth.

Sugar producing countries are pressing for some form of International Sugar Agreement. Their objective is to establish a floor price for raw sugar and improve their return. A meeting is scheduled in Geneva this spring and Canada will be a participant. It is not expected that an agreement can be reached before 1978. Such an agree-



ment would have the tendency to raise prices for Canadian consumers.

During the recent period of high prices of raw sugar a number of plants were built in the United States to produce high fructose corn syrup. This is a corn sugar which can be used instead of cane sugar in certain applications. With lower raw sugar prices the planned expansion of this syrup in the U.S. was stopped. Because of low prices and a restricted market potential this product is not presently an important factor in the sugar industry in Canada.

▲ Sugar is used widely in bakery products, making that industry a major customer.

◀ The changeover to metric packaging was accomplished smoothly at Atlantic Sugar.

Brick Operations

Five Year Review	Sales (\$ million)	Earnings from Operations (\$ million)
1976	23.0	7.2
1975	15.0	5.0
1974	9.0	2.6
1973	6.9	2.0
1972	5.8	1.6

Business Description

The brick operations extended their manufacturing capability and marketing area with acquisition of the assets of Michigan Brick, Inc. in July, 1976. The plant, with an annual capacity of 45 million bricks, is located on 400 acres of land at Corunna, Michigan, about 20 miles west of Flint. The operation has a strong market position in Michigan and appreciable markets in adjacent states.

In Ontario the brick operation has plants at Burlington and in Mississauga. The latter produces both clay and calcite brick. In Quebec, St. Lawrence Brick Company facilities are at LaPrairie. The total annual capacity of all plants is now 265 million units.

Brick from Canada Brick provides a handsome finish for the University of Windsor library.



Operations Review

The strong demand which began in the second half of 1975 continued throughout 1976. Sales increased sharply and all plants shared in this upward trend. Deliveries remained strong to year-end and inventories of finished product were extremely low.

Significant projects during the year included installation of the automated packaging equipment at St. Lawrence Brick. At Mississauga the first unit in a two-year automation project was in-

stalled. At Michigan Brick construction of a \$0.7 million grinding facility was begun late in the year, with completion early in 1977.

Costs continued to rise with natural gas and electricity being the most significant factors. These added expenses were partially offset by the automation at St. Lawrence, increased throughput and improved fuel efficiency at Burlington and changes to raw material blends at Michigan Brick.

Plans and Prospects

Though the outlook for 1977 suggests a lower demand than in 1976, bookings at all locations early in the first quarter were at an all-time high. Housing starts will continue to be the single most important economic variable. Prospects in Canada for single family units are for a somewhat reduced level. In the United States prospects are for a continuation of the strong upward trend of 1976.

Production from a new kiln doubling capacity at St. Lawrence is expected to begin in the last quarter of 1977. New capacity of 36 million units annually will be added at Michigan Brick. Construction on this \$3.5 million expansion will begin in the spring.



◀ This stylish use of brick effectively complements other modern building materials.

Throughput was increased and fuel efficiency improved in 1976 at the Burlington plant.



Sonco Steel Tube

Five Year Review		Earnings
	Sales	from Operations
	(\$ million)	(\$ million)
1976	19.3	3.8
1975	16.1	3.1
1974	18.2	4.4
1973	15.2	2.9
1972	10.7	1.6

Business Description

Sonco manufactures electrically-welded mechanical steel tubing and hollow structural steel sections in a modern 140,000 square foot plant at Brampton, Ontario. It serves more than 40 industries, some of them in the United States.

Mechanical tubing formed from cold rolled steel strip is used in many consumer and commercial products, among them automobile exhaust systems and electrical conduits, store furniture and fixtures, leisure equipment and toys.

Hollow structural sections formed from hot rolled steel strip are used in industries manufacturing construction machinery, agricultural equipment and cars and trucks. They are also used in highway guard rails and building structures, having significant weight saving advantages over conventional shapes used in construction.

Operations Review

Both sales and earnings of Sonco exceeded projections in 1976 and reasonable growth was achieved in spite of the fact that the overall economic climate, particularly in the steel sector, was somewhat unsettled.

Sales exceeded those of 1975 by \$3.2 million due to greater penetration in both the Canadian and United States markets.

During 1976 a reorganization and strengthening of the marketing division was accomplished and further improvements are to be instituted in 1977. The newly installed hollow structural mill has added approximately 35,000 tons of capacity to annual production.



Plans and Prospects

Long range and strategic plans for 1977 emphasize the development of new products.

Additional tooling ordered for the hollow structural mills will extend their capacity in all size ranges and lead to increased volumes in this product line, for which demand is increasing substantially.

A new advertising and sales promotion program will be directed to end users of all product lines.

◀ This chisel plough slices leftover stalks as it tills the soil after harvesting. Its main frame is of Sonco square tubing.

Steel tubing is used widely in both domestic and store furniture and fixtures.



Lyman Tube

Five Year Review		Earnings
	Sales	from Operations
	(\$ million)	(\$ million)
1976	16.2	.5
1975	17.6	1.3
1974	17.2	1.5
1973	12.1	.6
1972	9.2	.4

Business Description

Lyman Tube is engaged in warehousing and distribution of carbon steel tubular products throughout Canada. The Company's inventory consists of approximately 1,700 sizes of seamless and welded tubing in rounds, squares and rectangles. Sizes range from $\frac{1}{8}$ inch outside diameter up to and including 24 inches. In 1976 the product line was expanded to include precision shafting and chrome precision shafting in sizes ranging from $\frac{1}{2}$ inch to 4 inches.

The major stocking depot is at Oakville, with other service centres located at Toronto, Laval, Winnipeg, Edmonton and Vancouver. Stock is supplied to a wide variety of original equipment and after-market customers in such industries as farm machinery and equipment, hydraulic cylinders, transportation equipment, steel fabrication and machining.

Operations Review

A new service centre in the City of Laval, immediately north of Montreal, was completed in June 1976 and is now fully operational. Storage capability at Edmonton was doubled and improvements in both racking and materials handling equipment completed.

The Canadian steel service centre industry experienced one of its most difficult years of the recent past. Earlier forecasts of relatively strong growth in consumer spending and a subsequent gradual build-up of capital spending failed to materialize. With the exception of certain industries, in particular automotive and farm machinery, overall conditions were sluggish at best. The extreme competition of 1975 continued and was compounded by excessive inventories.



Although tonnage from Lyman warehouse stocks and direct mill shipments was within 5% of the 1975 total, substantial profit erosion and higher freight costs resulted in performance being well below expectations.

Plans and Prospects

Slow economic growth, a slight improvement in business capital spending and the possibility of moderate inventory accumulation mean 1977 volumes should be comparable to those of 1976. Earnings improvement, however, is expected as a result of firmer pricing, expected price increases and internal operating efficiencies.

▲ Lyman supplies the manufacturer of this road grader, marketed in over 60 countries.

◀ This side loader stacks steel tube to a height of 34 feet at Lyman's new Laval facility.

have permitted Allanson to maintain earnings levels consistent with those of previous years.

Plans and Prospects

Most of the markets served by Allanson view 1977 with uncertainty and we project only moderate increases. For the Company, these increases will come about primarily from increased penetration rather than any market growth. Export activity will continue, possibly aided by more advantageous exchange rates.

New products added to the lines of chargers and converters late in 1976 are expected to contribute to sales growth in 1977. A number of new product possibilities being investigated includes a series of power supplies directed to the CB (Citizens Band) market, and further additions to the battery charger line.

Allanson ballasts are used in this street lighting in Toronto.

Battery chargers serve vehicle users and power boaters across Canada.

Five Year Review	Sales (\$ million)	Earnings from Operations (\$ million)
1976	9.1	1.1
1975	6.6	.8
1974	6.7	.9
1973	6.4	1.0
1972	5.4	.8

Business Description

Allanson manufactures ignition transformers and fuel units for the heating industry and has been successful in exporting transformers to the heating trade in the American, European and Middle East markets.

Fluorescent ballasts, high intensity discharge ballasts and neon transformers are manufactured for various applications in the lighting industry. A diversification program in recent years has resulted in the production of a line of battery chargers, power supplies and power converters for home, garage, marine and recreational vehicle use. A line of rectifiers is produced for use in motion picture projectors and the audio-visual industry.

Operations Review

In 1976 a sales increase of 36% was achieved as a result of several factors. For two years preceding 1976, some markets had undergone severe declines; in 1976 they began to show signs of recovery. Sales of heating products, lighting products and battery chargers increased in part because of this favorable trend. Also contributing was a series of development and marketing programs in all lines which began to show positive results in 1976.

The wisdom of a long range program begun several years earlier to achieve controlled diversification was reflected in Allanson's expansion in 1976, a time when most electrical manufacturing companies showed little or no growth. The higher levels of production contributed to the improved earnings for the year. While sales of newer product lines tend to generate slightly lower profit margins than do the basic lines, the generally higher volumes



Corporate Information

E. Yngve Carlson

Roy A. Croll

André Goyer

David J. Kennedy

Leo E. Labrosse

Douglas G. Sinclair

President, Canada Brick

President, Allanson Manufacturing

President, St. Lawrence Brick

President, Lyman Tube

President, Atlantic Sugar

President, Sonco Steel Tube

Bankers

The Toronto-Dominion Bank

Auditors

Coopers & Lybrand

General Counsel

Fraser & Beatty,
Toronto

McCarthy & McCarthy,
Toronto

Incorporation

Province of Ontario

Stock Listing

The Toronto Stock Exchange
The Montreal Stock Exchange

Transfer Agents & Registrars

Guaranty Trust Company of Canada
Toronto, Montreal, Winnipeg,
Calgary and Vancouver
6% Preference Shares
\$1.20 Class A Shares

Canada Permanent Trust Company
Montreal, Toronto, Winnipeg,
Calgary and Vancouver
6% Class B Shares
Special Shares
Class D Shares

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Page 18
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Liberty Furniture Ltd.

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Dominion Road Machinery Co. Limited



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